



**Committee on Transportation and Infrastructure**  
**U.S. House of Representatives**  
**Washington, DC 20515**

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September 21, 2018

**SUMMARY OF SUBJECT MATTER**

**TO:** Members, Subcommittee on Coast Guard and Maritime Transportation  
**FROM:** Staff, Subcommittee on Coast Guard and Maritime Transportation  
**RE:** Hearing on “Coast Guard Modernization and Recapitalization: Status and Future”

**PURPOSE**

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Wednesday, September 26, 2018, at 10:00 a.m. in 2167 Rayburn House Office Building to review the status of U.S. Coast Guard (Coast Guard or Service) modernization and recapitalization. The Subcommittee will hear testimony from the 26<sup>th</sup> Commandant of the Coast Guard, Admiral Karl L. Schultz.

**BACKGROUND**

The Coast Guard was established on January 28, 1915, through the consolidation of the Revenue Cutter Service and the Lifesaving Service.<sup>1</sup> The Coast Guard later assumed the duties of three other agencies: the Lighthouse Service, the Steamboat Inspection Service, and the Bureau of Navigation.<sup>2</sup> Today, the Coast Guard is responsible for the execution of 11 statutory missions: marine safety; search and rescue; aids to navigation; living marine resources (fisheries law enforcement); marine environmental protection; ice operations; ports, waterways and coastal security; drug interdiction; migrant interdiction; defense readiness, and other law enforcement.<sup>3</sup>

Nearly 41,000 active duty and approximately 7,000 reserve military personnel conduct Coast Guard operations in support of those missions around the world. In addition, over 8,500 civilian employees provide critical support and expertise to enable Coast Guard operations. The Coast Guard is also aided by the Coast Guard Auxiliary, an all-volunteer force of over 31,000 members.

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<sup>1</sup> Established in 1790 and 1848, respectively.

<sup>2</sup> Established in 1789, 1838, and 1884, respectively.

<sup>3</sup> 6 U.S.C. § 468. Preserving Coast Guard mission performance.

## **Modernization**

Throughout its long history, the Coast Guard has found success by changing with the times. Over the years, the Service has incorporated new missions, altered its focus, and changed its structure to meet emerging demands. The Coast Guard's evolution has most often been spurred by external events (e.g., absorbing the missions of the Bureau of Marine Inspection and Navigation during World War II), but the concept of a broader modernization effort began in the 1980s with an internal organizational review conducted by Rear Admiral Marshall Gilbert.<sup>4</sup> The Coast Guard conceived of a modernization program consisting of efforts to update command structure, support systems, and business practices to ensure the Service could fulfill traditional missions (e.g., fisheries law enforcement, maritime safety, interdiction of drugs, search and rescue) while also meeting emerging demands. Following budget-driven streamlining during the 1990s and the Service's transfer to the new Department of Homeland Security in the aftermath of 9/11, modernization became essential to appropriately address new homeland security missions (e.g., port security, defense readiness) while still maintaining traditional readiness.<sup>5</sup>

The Coast Guard's most recent modernization program began in 2006, under the tenure of Admiral Thad Allen, the 23<sup>rd</sup> Commandant of the Coast Guard. Admiral Allen issued 10 action orders that formed the framework for the program. Those actions included reforming acquisition and finance processes, realigning the logistics system, establishing a deployable operations group, and significantly changing the most senior positions within the command and control organization. The goal of these multi-year efforts was to strengthen unity of effort within the Service, enhance accountability and efficiency in mission support systems, and reinforce alignment with the Department of Homeland Security, the Department of Defense, and other interagency partners.

In 2009, the Government Accountability Office (GAO) issued a report examining the progress of the Coast Guard modernization program.<sup>6</sup> GAO found that the Coast Guard efforts appeared to be on track and that the Service had established implementation timelines to help guide the process. However, the report also noted that the Coast Guard was requesting additional statutory authorities, conducting external outreach, and working to incorporate recommendations provided by the National Academy of Public Administration.<sup>7</sup> The GAO report issued in June 2009 was the last comprehensive study of the Coast Guard's modernization program.

Coast Guard modernization efforts continue today and are based on the plan set in place by Admiral Allen over a decade ago. However, the Coast Guard has changed substantially over that time, due to the continuation of modernization, as well as changes in technology and mission demands. Over the past 12 years, the Coast Guard has made major strides in recapitalizing its aging assets, combating emerging new threats (e.g., cyber and unmanned systems), and incorporating technological advances (e.g., command and control systems). However, the

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<sup>4</sup> Government Accountability Office. June 24, 2009. *Coast Guard: Observations on the Genesis and Progress of the Service's Modernization Program*. GAO-09-530R Coast Guard Command Realignment.

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> National Academy of Public Administration. April 2009. *U.S. Coast Guard Modernization Study*.

Service has a long way to go in replacing outdated assets and is plagued with numerous outdated and inefficient legacy systems that impede the Service's ability to meet full potential.

A large component of the modernization program is recapitalization - the replacement of the aging fleet of ships, aircraft, and shore infrastructure that are critical to Coast Guard operations. In 2006, the Coast Guard offshore cutter fleet needed replacement. The Integrated Deepwater System Program – managed through a joint venture between Lockheed Martin and Northrup Grumman known as Integrated Coast Guard Systems LLC (ICGS) – was failing to produce those replacements. Ultimately, the ICGS contract was cancelled and the Coast Guard established an in-house Acquisition Directorate. Since that time, the Coast Guard has added seven National Security Cutters (NSCs) and 30 Fast Response Cutters (FRCs). The Service also strengthened the hulls of the two NSCs produced under the ICGS contract. In 2014, GAO recommended that the Coast Guard develop a 20-year modernization plan to guide ongoing recapitalization efforts, including discussion of the budgetary resources and trade-offs required.<sup>8</sup> However, no such long-term recapitalization plan has materialized. Instead, GAO reports that the Coast Guard's current approach to acquisitions (planning year-to-year with a five year time horizon) has left the Coast Guard with a buildup of near-term unfunded acquisitions, negatively affecting recapitalization efforts and limiting the effectiveness of long-term planning.<sup>9</sup> While Coast Guard leaders routinely state the Service's need for new assets, the Service's strategic vision for its entire acquisition portfolio remains disassociated from budget constraints and timeline realities.

Another major tenet of the modernization program was restructuring the command and control organization of the Coast Guard. In 2006, Admiral Allen directed the elimination of existing Area commands and established four new organizational entities: the Deputy Commandant for Mission Support (DCMS), the Deputy Commandant for Operations (DCO), Operations Command (OPCOM), and Force Readiness Command (FORCECOM).<sup>10</sup> He envisioned each of these entities having a distinct mission and purpose: support and logistics (DCMS), operational policies and plans (DCO), global mission execution (OPCOM), and overall readiness capabilities (FORCECOM). While the Coast Guard stood up three of these new entities, Admiral Robert Papp, the 24<sup>th</sup> Commandant of the Coast Guard, cancelled further implementation before OPCOM was established or the Area commands dissolved. Consequently, today the Area commands remain responsible for mission execution, DCO and DCMS largely fill their intended roles, and FORCECOM fulfills a subset of its initial readiness mission by focusing on training.

On June 1, 2018, Admiral Karl Schultz became the 26<sup>th</sup> Commandant of the Coast Guard. He introduced guiding principles for the Service – Ready, Relevant, and Responsive – to set the tone for his tenure. Admiral Schultz and his senior leadership team immediately put those principles into action through a series of initial efforts to improve the workforce, enhance capabilities, and strategically position the Service for the future. As part of those efforts, he

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<sup>8</sup> Government Accountability Office. June 5, 2014. *Better Information on Performance and Funding Needed to Address Shortfalls*. GAO-14-450.

<sup>9</sup> Government Accountability Office. July 2018. *Actions Needed to Address Longstanding Portfolio Management Challenges*. GAO-18-454.

<sup>10</sup> Government Accountability Office. June 24, 2009. *Coast Guard: Observations on the Genesis and Progress of the Service's Modernization Program*. GAO-09-530R Coast Guard Command Realignment.

directed a review of the Coast Guard's modernization efforts. He is expected to share the results of that review with the Subcommittee, and also to discuss his vision for how the Coast Guard will continue to move forward in coming years.

**WITNESS LIST**

Admiral Karl L. Schultz  
Commandant  
United States Coast Guard